

Message Text

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ACTION EUR-08

INFO OCT-01 SS-14 ISO-00 EB-04 SP-02 L-01 INR-05
CIAE-00 NSAE-00 OMB-01 TRSE-00 IO-06 SIL-01 /043 W
-----032675 121529Z /64

P 121455Z JUN 78
FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC PRIORITY 7202
INFO ALL EC CAPITALS
AMEMBASSY BELGRADE
USMISSION USNATO

C O N F I D E N T I A L SECTION 01 OF 02 BRUSSELS 11515

LIMDIS

USEEC

E.O. 11652: GDS
TAGS: EEC, YO
SUBJECT: EC-YUGOSLAV RELATIONS

REFS: (A) BRUSSELS 11156: (B) BELGRADE 4333:
(C) BRUSSELS 11436

1. SUMMARY. THIS MESSAGE PROVIDES A BIT MORE BACKGROUND CONCERNING STATE OF EC-YUGOSLAV NEGOTIATIONS, HYPOTHESIS CONCERNING OBJECTIVE HAERKAMP WILL BE SEEKING IN HIS NEXT VISIT TO BELGRADE, REITERATES THAT YUGOSLAVIA DECISIONS PRIOR TO HAERKAMP VISIT ARE CRITICAL, EXAMINES POSSIBLE OUTCOMES, CONCLUDES THAT AMBASSADOR EAGLEBURGER'S PROPOSAL MIGHT LEAD TO UNDESIRABLE RESULTS, WHILE SUGGESTING EITHER A HIGH STAKES US ACTION OR A LOW STAKES INTERVENTION. END SUMMARY.

2. SINCE DRAFTING REFTEL C, I HAVE LEARNED IN WEEKEND CONVERSATIONS WITH A NUMBER OF COMMISSION OFFICIALS AND CONFIDENTIAL

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MEMBER STATE DIPLOMATS THAT COMMISSION PRESIDENT JENKINS, WITH STRONG SUPPORT FROM GUNDELACH (WHO I SUSPECT MAY THINK HAERKAMP'S IDEAS FOR AGRICULTURAL TRADE PREFERENCES GO TOO FAR) ATTACHED GREAT POLITICAL SIGNIFICANCE TO THE LETTER HE HAD RECEIVED FROM THE YUGOSLAV PRIME MINISTER WHICH APPARENTLY MADE CLEAR THAT YUGOSLAVIA FOUND THE COMMISSION'S IDEAS FOR AN IMPROVED NEGOTIATING MANDATE

TO BE TOTALLY INADEQUATE. JENKINS THEREFORE LED COMMISSION TO DECISION AT JUNE 7 MEETING THAT HAFERKAMP SHOULD GO TO BELGRADE AGAIN RATHER THAN TO TAKE HIS IDEAS FOR IMPROVING THE COMMISSION MANDATE TO THE COUNCIL OF MINISTERS AS HAD BEEN CONTEMPLATED BY HIS PRESENTATION TO THE FOREIGN MINISTERS COUNCIL ON JUNE 6 (REF A). AS A HISTORICAL FOOTNOTE, I WOULD NOTE THAT THIS CHANGE OF PLANS IS ALMOST UNPRECEDENTED IN COMMUNITY HISTORY AND IS ONLY EXPLICABLE BECAUSE JENKINS HAD CANCELLED, FOR THE FIRST TIME SINCE HE HAS BEEN IN OFFICE, THE REGULAR COMMISSION MEETING DURING THE WEEK PRECEDING THE JUNE 6 COUNCIL WITH THE RESULT THAT HAFERKAMP DID NOT HAVE FORMAL BACKING OF THE COMMISSION WHEN HE WENT BEFORE THE COUNCIL. AFTER COMMISSION DECISION, HAFERKAMP PROPOSED TO GO TO BELGRADE JUNE 23 BUT THE YUGOSLAV GOVERNMENT FOUND THAT DATE INCONVENIENT BECAUSE OF PARTY CONFERENCES AND THE VISIT IS NOW SCHEDULED FOR EARLY JULY.

3. I FIND DENMAN'S LINE TO THE EFFECT THAT THE YUGOSLAVS HAVE NOT DECIDED EXACTLY WHAT KIND OF AN AGREEMENT THEY WANT WITH THE EC TO BE A MISLEADING HALF-TRUTH. AFTER HIS FIRST VISIT TO BELGRADE LAST YEAR HAFERKAMP TOLD US (AND SIR CHRISTOPHER SOAMES HAD HAD THE SAME IMPRESSION EARLIER) THAT THE YUGOSLAVS WANTED THE SUBSTANCE OF AN ASSOCIATION AGREEMENT WITH AT LEAST THE ADVANTAGES GIVEN EFTA STATES, BUT WITHOUT THE FORM. THE YUGOSLAV ADVOCACY

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OF A SUI GENERIS AGREEMENT WITH FAR-REACHING ONE-WAY TRADE PREFERENTIAL FEATURES IS CONSISTENT WITH THIS APPROACH AND I INTERPRET THE PRIME MINISTER'S LETTER (IT WOULD BE HELPFUL IF WE COULD OBTAIN THE TEXT SOMEWHERE) AS STATING THIS BASIC YUGOSLAV POSITION IN FACE OF A DEVELOPING COMMUNITY DECISION TO PROCEED DIFFERENTLY.

4. UNTIL THE PRIME MINISTER'S LETTER, THE COMMUNITY KNEW IT HAD DIFFICULTIES IN BRINGING THE YUGOSLAVS ALONG ON ITS IDEAS OF AN EXPANDED AGREEMENT BASICALLY FOLLOWING PAST PATTERNS BUT THOUGHT AS IN ITS OTHER THIRD-COUNTRY NEGOTIATIONS THAT AFTER THE EC ADDED SOME ADDITIONAL SUBSTANTIVE CONCESSIONS, THE YUGOSLAVS WOULD CONCLUDE THAT SOMETHING WAS BETTER THAN NOTHING AND SIGN. THE COMMISSION MUST ALSO HAVE JUDGED THAT THE YUGOSLAVS WOULD BY NOW RECOGNIZE THAT THE KIND OF TRADE CONCESSIONS THEY ARE SEEKING ARE EXTRAORDINARILY DIFFICULT FOR THE COMMUNITY TO GRANT. THUS THE HIGH-LEVEL INTERVENTION AT LEAST IMPLICITLY THREATENING A BREAKUP OF NEGOTIATIONS WAS AN UNWELCOME SURPRISE. SOME, INCLUDING HAFERKAMP, WANTED TO GO AHEAD ANYWAY, OTHERS OPTED FOR ANOTHER ROUND OF EXPLORATORY TALKS. IN THOSE TALKS I SUSPECT HAFERKAMP WILL TRY TO

CONVINCE THE YUGOSLAVS THAT THE ONLY WAY IT COULD POSSIBLY GET THE KIND OF TRADE CONCESSIONS THEY ARE INSISTING ON WOULD BE BY BITING THE BULLET AND AGREEING TO NEGOTIATE FOR ASSOCIATION IN NAME AS WELL AS SUBSTANCE.

5. I BELIEVE THAT, IF WE ARE TO INTERVENE IN THIS POLITICAL-ECONOMIC NEGOTIATION, THE TIME TO HAVE AN OPTIMAL IMPACT ON THE YUGOSLAVS IS WELL BEFORE HAFERKAMP ARRIVES IN BELGRADE.

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ACTION EUR-08

INFO OCT-01 SS-14 ISO-00 EB-04 SP-02 L-01 INR-05

CIAE-00 NSAE-00 OMB-01 TRSE-00 IO-06 SIL-01 /043 W

-----034210 121839Z /42 64

P 121455Z JUN 78

FM AMEMBASSY BRUSSELS

TO SECSTATE WASHDC PRIORITY 7203

INFO ALL EC CAPITALS

AMEMBASSY BELGRADE

USMISSION USNATO

C O N F I D E N T I A L SECTION 02 OF 02 BRUSSELS 11515

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C O R R E C T E D C O P Y (TEXT)

6. PUTTING ASIDE THE SUBSET OF PROBLEMS SURROUNDING THE COMMISSION IDEA OF CONTINUED NEGOTIATIONS WHILE EXTENDING THE EXISTING AGREEMENT, THERE APPEAR TO BE FOUR OPTIONS (OVER-SIMPLIFIED) FOR AN ENDING PLACE:

(1) THE TALKS COULD BREAK DOWN AS APPARENTLY THE YUGOSLAVS ARE NOW THREATENING.

(2) THE YUGOSLAVS COULD ACCEPT THE COMMUNITY MAIN LINE OPTION AND CONCENTRATE ON THE DETAILS OF EXTRACTING ADDITIONAL FINANCIAL, TRADE, AND WORKER CONCESSIONS.

(3) THE COMMUNITY COULD ACCEPT THE YUGOSLAV SUI GENERIS

IDEA INCLUDING SUBSTANTIAL ONE-WAY TRADE PREFERENCES.

(4) THE YUGOSLAVS COULD DECIDE TO SEEK ASSOCIATION WHICH COULD GIVE THEM MUCH OF THE SUBSTANCE THEY SEEK BUT IN A CONFIDENTIAL

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FORM WHICH WOULD ALSO PROVIDE COMPARABLE COMMUNITY PREFERENTIAL TRADING RELATIONS WITH YUGOSLAVIA.

7. IN LOOKING AT THESE CONCEPTUALLY POSSIBLE OUTCOMES, WE SHOULD RECOGNIZE THAT NEITHER A BREAKDOWN IN NEGOTIATIONS NOR A HIGHLY PREFERENTIAL SUI GENERIS AGREEMENT ARE IN THE US INTEREST. THE IMPROVED MANDATE OPTION IF SUCCESSFULLY CONCLUDED WOULD MEET US OBJECTIVES, AT LEAST IN MOST RESPECTS, AND AN OUTRIGHT ASSOCIATION AGREEMENT A LA EFTA MIGHT ALSO BE IN THE US INTEREST.

8. DENMAN ALLEGES THAT THERE ARE STRONG FORCES IN YUGOSLAVIA ADVOCATING NEGOTIATION OF AN ASSOCIATION AGREEMENT. PERHAPS, BUT THIS ASSUMES THAT THE YUGOSLAVS ARE PREPARED TO ABANDON THEIR BASIC NON-ALLIGNED STANCE IN THE WORLD AND TO RUN POLITICAL RISKS WITH THE SOVIETS AND OTHER EASTERN EUROPEAN STATES. IF THEY WERE, AND IF THEY COULD GET AWAY WITH IT, THIS OPTION COULD MOVE YUGOSLAVIA DECISIVELY TOWARDS THE WEST AND WOULD BE DECISION OF HISTORIC DIMENSION. IT LOOKS TO ME AS IF IT COULD BE HIGHLY DE-STABILIZING IN THE SHORT RUN BOTH IN YUGOSLAVIA AND VIS-A-VIS THE SOVIETS BUT OTHERS ARE IN A BETTER POSITION THAN I TO MAKE THAT JUDGMENT. IF IT COULD BE ACHIEVED, IT COULD PROVE TO BE HIGHLY STABILIZING IN THE LONG RUN.

9. AGAINST THIS ANALYSIS I BELIEVE THAT AMBASSADOR EAGLEBURGER'S SUGGESTION (REFTEL B) THAT HE CONVEY TO PRIME MINISTER DJURANOVIC "THE IMPORTANCE OF DECIDING EXACTLY WHAT TYPE OF AGREEMENT THEY WANT" COULD LEAD US INTO A SITUATION WHERE WE WERE EITHER TOLD THEY HAD MADE THAT DECISION AND WOULD WELCOME OUR SUPPORT FOR THEIR SUI GENERIS PREFERENTIAL TRADING IDEAS OR WHERE THEY CONCLUDED THAT WE WERE PUSHING THEM TO OPT FOR AN ASSOCIATION AGREEMENT.

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MENT. IT STRIKES ME THAT EAGLEBURGER'S SUGGESTION IS FLAWED IN THAT WHAT HE PROPOSES TO SAY IS EITHER TOO MUCH OR TOO LITTLE. IF WE WANT TO PLAY FOR HIGH STAKES, HE MIGHT TELL THE PRIME MINISTER THAT WE WOULD WELCOME A YUGOSLAV MOVE TOWARD AN ASSOCIATION AGREEMENT BUT THAT WE

WOULD UNDERSTAND IF YUGOSLAVIA DID NOT WANT TO GO THIS WAY, IN WHICH CASE, HOWEVER, WE WOULD MAKE CLEAR THAT WE TOO HAVE PROBLEMS WITH THE DEGREE OF PREFERENCE SOUGHT BY YUGOSLAVIA AND WOULD URGE THEM TO NEGOTIATE WITHIN THE EC IMPROVED MANDATE CONTEXT. THE LOW-STAKE APPROACH AT THIS TIME WOULD BE FOR EAGLEBURGER ESSENTIALLY TO APPROACH THE PRIME MINISTER SEEKING CLARIFICATION WHILE CONVEYING A US JUDGMENT THAT DESPITE THE POLITICAL IMPORTANCE ATTACHED BY THE NINE TO THEIR RELATIONS WITH YUGOSLAVIA, ECONOMIC REALITIES PRECLUDE THE GRANTING OF FAR-REACHING TRADE CONCESSIONS ESPECIALLY PREFERENTIAL CONCESSIONS, BUT THAT YUGOSLAVIA CAN MAKE MODEST GAINS INCLUDING TRADE AND IN PARTICULAR MIGHT WELL CONCENTRATE ON THE FINANCIAL SIDE AIMING TO CONCLUDE THE NEGOTIATIONS WITHIN THE CONTEXT OF THE IMPROVED MANDATE OPTION. HINTON

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AGREEMENTS, FOREIGN MINISTERS MEETINGS, RELATIONS WITH REGIONAL ORGS
Control Number: n/a
Copy: SINGLE
Draft Date: 12 jun 1978
Decaption Date: 20 Mar 2014
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978BRUSSE11515
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780245-0237
Format: TEL
From: BRUSSELS USEEC
Handling Restrictions:
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780671/aaaacjff.tel
Line Count: 239
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 85d7568b-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: LIMDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: LIMDIS
Reference: 78 BRUSSELS 11156, 78 BELGRADE 4333, 78 BRUSSELS 11436
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 18 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2399507
Secure: OPEN
Status: NATIVE
Subject: EC-YUGOSLAV RELATIONS
TAGS: ETRD, ECIN, YO, EEC
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/85d7568b-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014